



March 20, 2025

House Committee on Economic Development, Small Business, and Trade
Oregon State Capitol
900 Court St NE
Salem, OR 97301

Re: Support for HB 2277-1

Dear Chair Nguyen, Vice-Chairs Isadore and Diehl, and Members of the Committee:

The City of Hillsboro writes in support for HB 2277-1, to modify the provisions of The Oregon CHIPS Act related to business grants and loans to remove prohibitive requirements and to direct the remaining \$40 million toward the semiconductor industry. The Oregon CHIPS legislative package (adopted as SB 4 in 2023) remains critical to support one of our state's most important industries.

The Oregon CHIPS program does an excellent job covering multiple areas needed for state competitiveness including incentives, workforce, and land/infrastructure. Unfortunately, it also created overly stringent requirements including the ties to the Federal CHIPS Act for both the business grant incentives and land supply needs. All parts of the Oregon CHIPS program are needed independent of the federal program now and into the future. The requirements for the Oregon program need to remain flexible, be decoupled from the Federal CHIPS application and funding requirements and be clarified so they do not conflict with local incentive programs.

One urgent modification to the business grant and loan incentive is to clarify potential conflicts between Oregon CHIPS Incentives and local incentives like the enterprise zone program. For example, the current program requires an awarded company to demonstrate a \$1.25M tax revenue return for every \$1M received for the first 5 years of the contract. Property taxes, and income taxes apply towards the required demonstration of the \$1.25M public return on investment. However, if a company is also utilizing a local tax incentive, then they are receiving a separate 3 to 5-year property tax abatement which may be interpreted as a barrier to meeting their required return on investment to qualify for Oregon CHIPS grant funding. Oregon CHIPS grant funding and local incentives should be aligned to maximize the total tax incentive available to semiconductor businesses – not to cancel each other out.

A second area of modifications to the business grant and loan is to remove the restrictive ties to the Federal CHIPS program. These Federal CHIPS application/awards requirements are overly restrictive, laden with uncertainty, and have deterred some companies from pursuing the incentive and associated projects.

These same onerous requirements also rendered the Oregon CHIPS program sections that provided executive authority to increase industrial land capacity ineffective and ultimately unusable. As a result, the Governor elected not to use the executive authority to bring in adequate site and land capacities to competitively engage current and future semiconductor related projects and investments. This continues to result in missed opportunities for the State of Oregon, reducing our competitiveness. We encourage the committee consider making the similar fixes to disconnect the stringent Federal CHIPS program requirements from the land capacity components of the Oregon CHIPS program.

Ultimately, we must continue to take steps to bolster our competitiveness to retain and support the expansion of existing companies and be able to support new businesses to locate in our state. Oregon should update its CHIPS program to be rooted in partnership with minimal bureaucracy to maintain both near- and long-term economic competitiveness. We must align and leverage state incentives with local incentives to keep this funding available, flexible, and targeted to the semiconductor industry.

Bottom line – Oregon is being outcompeted by other states that are far more organized and focused on growing their semiconductor industry. The states that are winning – like New York, Arizona, and California – are doing so at the expense of Oregonians today and in the future. We cannot let that trend continue. Now is the time to reorganize and align our state semiconductor policies with the realities of the industry.

Thank you for your leadership on this important issue. We look forward to continuing to work with you and other stakeholders to make Oregon competitive and economically resilient.

Sincerely,

Dan Dias
Economic and Community Development Director
City of Hillsboro